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Ex. 5 - Deliberative Process

AN E&E PUBLISHING SERVICE

METHANE:

Mandates in Colo., Wyo. didn't prevent job growth

Mike Soraghan, E&E reporter

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Colorado didn't see oil and gas employment fall last year after adopting the air pollution rules serving as a template for new rules proposed by U.S. EPA.

In fact, Weld County, the heart of Colorado's oil drilling boom, had the country's highest rate of job growth last year, according to U.S. Bureau of Labor Statistics (BLS) data.

Statewide, Colorado oil field employment grew by nearly 4,000 people from 2013 to 2014, according to BLS's Quarterly Census of Employment and Wages. That's a gain of about 16 percent.

In Wyoming, which enacted similar rules around the same time, employment grew by 745 people, or 5 percent.

"It's not the job killer that everybody is saying it is," said Eva Henry, one of three county commissioners in Adams County, just south of Weld County. Adams County ranked third in percentage employment gains last year.

In addition to employment, production also has increased in Colorado since the rules were approved in February 2014. Bloomberg reported earlier this month that federal data shows gas production in May was up 1.5 percent from the same period two years earlier.

But national industry groups say it's not an exact comparison, because Colorado handled its methane mandates differently and better than EPA.

Colorado officials worked closely with oil and gas companies and environmental groups, they say, while they accuse EPA of imposing a top-down, one-size-fits-all solution. Industry groups said EPA should have stuck with voluntary rules and an expansion of rules in high-ozone areas.

Oil field employment

	2013	2014	Increase
Colorado	24,473	28,455	3,982 (16%)
Wyoming	16,499	17,244	745 (5%)

Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages

"Unlike the recently released one-size-fits-all mandate from Washington, Colorado's emissions rules came as a result of negotiations between operators, state regulators and environmentalists whose input resulted in an approach that works for Colorado," said Randy Hildreth of Energy In Depth, an industry-funded public relations campaign. "Unfortunately, the new federal rules could prevent other states from pursuing a similar process."

Colorado companies voiced a similar complaint about the methane rules when they were enacted, although they did not oppose them as vehemently as the industry opposes the EPA proposal. The Colorado Oil & Gas Association complained the rules failed to account for differences across the state.

"Unfortunately, we were not successful in ensuring that the rule accommodates the differences in basins and operators," COGA spokesman Doug Flanders said in a February 2014 statement.

Quiet on the jobs front

The industry's continued growth in Colorado might be one reason that the industry hasn't focused as much on the jobs argument in fighting the rule.

Instead, groups like the American Petroleum Institute (API) have emphasized that methane emissions from shale gas wells have already been declining, though emissions from oil wells have increased (***EnergyWire***, **Jan. 15).**

But members of Congress who oppose the rule have pressed the jobs argument. For example, House Science, Space and Technology Chairman Lamar Smith (R-Texas) called the EPA rules "yet another example of the Obama administration's war on American energy jobs."

And API raised the job argument in warning against methane mandates before the rule came out.

"The oil and natural gas revolution is driving unprecedented job growth, providing Americans with affordable energy, and helping to reduce emissions," said Howard Feldman, API's senior director of regulatory and scientific affairs, in a statement in July. "Additional regulations on methane by EPA and other agencies could have a chilling effect on the American energy renaissance."

Three large independent oil and gas producers, Anadarko Petroleum Corp., Encana Corp. and Noble Energy Inc., worked with Democratic Gov. John Hickenlooper to draft the Colorado rule. It requires companies to inspect for methane leaks in tanks, pipelines and wells once a month at large facilities and plug them using infrared cameras.

Noble, the state's second-largest oil driller, said in a presentation to Colorado officials last year that compliance would cost about $3 million a year. The company told investors the cost in Colorado wouldn't be material to earnings or cash flow.

"The proposed rules are tough, but they are the right thing to do," Brian Lockard, Noble's director of environmental, health, safety and regulatory for the U.S. onshore region, told regulators. "They provide enhanced air quality benefits at a manageable cost."

State rules more aggressive

The Colorado rules are considered tougher than the EPA rules proposed earlier this month by the

Obama administration. The federal rules would require producers to upgrade pumps and compressors on new wells and expand the use of methane-capturing equipment for gas and oil wells. Unlike Colorado's rules, they don't cover methane emissions from existing facilities.

Wyoming already requires gas operations in the western part of the state to conduct a leak detection and repair program.

But the EPA rule expands existing requirements for "green completions" to oil wells. Currently, EPA rules cover only gas wells. Wyoming has green completion requirements for both oil and gas wells in the western part of the state but not in eastern areas such as the Powder River Basin.

EPA's draft rule would require the oil and gas industry to find and repair leaks, capture natural gas from the completion of hydraulically fractured oil wells, limit emissions from new and modified pneumatic pumps on well pads, and limit emissions from several types of equipment used at natural gas transmission compressor stations. It is combined with rules for volatile organic compounds.

EPA said the proposed standard for new and modified source methane will help avoid between 340,000 and 400,000 short tons of methane emissions in 2025 (***EnergyWire*, Aug. 18).**

Methane reduction is a component of Obama's broader pledge to limit U.S. greenhouse gas emissions between 26 and 28 percent by 2025 -- the core of the U.S. negotiating position ahead of climate negotiations in Paris at the end of this year. And the oil and gas sector is the largest industrial source of methane in the United States, contributing what EPA estimates to be 7 million metric tons of the powerful greenhouse gas pollutant each year. Empirical studies backed by the Environmental Defense Fund and others put that estimate significantly higher.

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